

Message Text

MRN: 1977MANILA017242 SEGMENT NUMBER: 000001 ERROR READING TEXT INDEX

FILE; TELEGRAM TEXT FOR THIS SEGMENT IS UNAVAILABLE

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ACTION AID-59

INFO OCT-01 ISO-00 EA-12 EB-08 IGA-02 /082 W

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P 280957Z OCT 77

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 7250

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AIDAC

THE ADVISORS ARE MULTI-DISCIPLINED AND EACH CAN COVER A BROAD RANGE OF INSTITUTIONAL DEVELOPMENT PROBLEMS. AS STATED IN REFTEL (A), AMENDMENT NO. 2 WILL INCREASE LWUA'S COST OF CONSULTING SERVICES FOR INSTITUTIONAL SERVICES BY ABOUT DOLS 1 MILLION, BRINGING THE TOTAL DOLLAR COST FOR JMM INSTITUTIONAL DEVELOPMENT WORK FROM JULY 1974 THROUGH JANUARY 1980 TO DOLS 2.8 MILLION. THE TOTAL COST OF JMM CONTRACT AS AMENDED WILL BE DOLS 6.4 MILLION. THE DOLS 2.8 MILLION IS ONLY THAT AMOUNT ALLOCATED TO FINANCE INSTITUTIONAL DEVELOPMENT; IT DOES NOT INCLUDE THE COST OF JMM DESIGN ENGINEERING WORK.

6. FINANCING BY LWUA OF THE DOLS 2.8 MILLION FOR INSTITUTIONAL DEVELOPMENT IS AS FOLLOWS: (A) DOLS 650,000 GRANT FINANCED UNDER PROJECT 492-0263; (B) DOLS 250,000 FROM LOAN 492-T-030; AND (C) DOLS 900,000 FUNDED FROM LOANS 033 AND 042.

THIS LEAVES AN UNFUNDED BALANCE OF DOLS 1 MILLION. IF THE PRESENT GRANT IS NOT FORTHCOMING, LWUA WILL PROBABLY REQUEST APPROVAL TO USE FUNDS FROM LOAN 042. HOWEVER, WE EXPECT LWUA TO HAVE TO FINANCE THE ADDITIONAL DOLS 1.2 MILLION FOR JMM'S ADDITIONAL DESIGN ENGINEERING WORK FROM LOAN 042. THUS, THIS GRANT WOULD NOT RESULT IN AVAILABILITY OF ADDITIONAL DOLS 1 MILLION LOAN FUNDS TO GOP. THE ORIGINAL PP BUDGETED DOLS 3 MILLION. IF AID APPROVES THIS GRANT THE PP BUDGET FOR LOAN FINANCED CONSULTING SERVICES WILL BE EXCEEDED BY DOLS 300,000 (DOLS 2.1 ALREADY COMMITTED FOR JMM CURRENT CONTRACT, PLUS PROPOSED DOLS 1.2 MILLION FOR DESIGN ENGINEERING WORK UNDER AMENDMENT NO. 2). IF THIS

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GRANT IS NOT APPROVED THE TOTAL LOAN FUNDED COST FROM LOAN 042 WILL BE DOLS 4.3 MILLION AS OPPOSED TO DOLS 3 MILLION IN PP BUDGET.

7. RE PARA 4, REFTTEL (B): LWUA LENDS FUNDS TO THE INDIVIDUAL WATER DISTRICTS TO COVER THE COSTS OF EXPATRIATE CONSULTING SERVICES AT 9 PERCENT INTEREST. USAID HAS FREQUENTLY DISCUSSED WITH LWUA THE POSSIBILITY OF CHARGING A LOWER RATE OF INTEREST, ESPECIALLY WHEN USING AID FUNDS. LWUA EXPLAINS THAT ALL ITS FUNDS ARE COMMINGLED. LWUA IS PAYING ADB AND IBRD 9-1/2 PERCENT AND THEY ARGUE THAT THEIR CHARGE TO THE DISTRICTS IS A BLEND. FURTHER, THEY ARGUE IT WOULD NOT BE POSSIBLE POLITICALLY NOR PRACTICAL ADMINISTRATIVELY FOR LWUA TO CHARGE VARIOUS RATES. WATER DISTRICTS RECEIVE LOANS FROM LWUA BASED UPON ANTICIPATED CONSTRUCTION CONTRACT COSTS PLUS COST OF ESTIMATED CONSULTING SERVICES, THEREFORE, MANY WATER DISTRICTS ARE ONE SOURCE, I.E. CONSTRUCTION MONEY FROM ADB, IBRD, OR DANISH GOVERNMENT AND CONSULTING SERVICES FINANCING FROM AID.

8. LWUA ARGUES VERY STRONGLY THAT IT CANNOT GRANT FUNDS TO WATER DISTRICTS IT RECEIVES FROM FOREIGN LOANS BECAUSE LWUA MUST, AND ACTUALLY IS, PAYING TO THE GOP THE INTEREST AS IT COMES DUE ON ITS FOREIGN LOANS. LWUA DID GRANT TO THE DISTRICTS THE DOLS 650,000 IT RECEIVED AS A GRANT FROM AID UNDER PROJECT 492-0263. LWUA WILL ALSO GRANT PROCEEDS FROM THIS PROPOSED GRANT TO THE RECIPIENT DISTRICTS IF THE GRANT IS APPROVED. IF THE PROPOSED GRANT IS NOT APPROVED AND LWUA OBTAINS FINANCING VIA EXISTING AID LOANS, THEN LWUA WILL LOAN THE FUNDS FOR INSTITUTIONAL DEVELOPMENT TO THE DISTRICTS FURTHER EXACERBATING THE DISTRICTS ALREADY IN DIFFICULT FINANCIAL SITUATION. LWUA HAS BEEN CAPITALIZED BY THE GOP AT PESOS 500 MILLION AND ACCORDING TO ITS CHARTER MUST BE FINANCIALLY SELF-SUPPORTING.
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9. USAID HAS ALSO DISCUSSED WITH THE LWUA BOARD THE POSSIBILITY OF THE GOP ABSORBING LOAN FINANCED COSTS OF CONSULTING SERVICES FOR INSTITUTIONAL DEVELOPMENT. LWUA'S BOARD BELIEVES STRONGLY THAT SUCH AN ARRANGEMENT WOULD CONTRAVENE THE SPIRIT IF NOT THE LETTER OF ITS PRESENT CHARTER. THE BOARD BELIEVES THAT THE PRESENT SYSTEM CAN WORK AND THAT IT IS TOO SOON IN THE LIFE OF LWUA TO MAKE A NEGATIVE JUDGMENT ON THE PRESENT CHARTERED ARRANGEMENT. OBVIOUSLY, IT IS IN LWUA'S BEST INTEREST TO INSURE THAT INDIVIDUAL DISTRICTS DEVELOP AND MAINTAIN THEIR FINANCIAL VIABILITY. USAID BELIEVES THAT LWUA WILL NOT BURDEN DISTRICTS WITH INSTITUTIONAL AND CONSTRUCTION COSTS TO THE POINT OF FORCING THEM INTO BANKRUPTCY, HOWEVER, LWUA DOES FEEL THAT DEVELOPING AND MAINTAINING FISCAL DISCIPLINE WITHIN THE DISTRICTS IS AN IMPORTANT ASPECT OF THEIR INSTITUTIONAL DEVELOPMENT. THERE HAVE BEEN SEVERAL CASES WHERE LWUA HAS RESTRUCTURED LOANS TO DISTRICTS THAT HAVE EXPERIENCED UNUSUAL DIFFICULTY.

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Sent Date: 28-Oct-1977 12:00:00 am
Decaption Date: 22 May 2009
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Disposition Action: n/a
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Original Handling Restrictions: ONLY
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